

**BROMSGROVE DISTRICT COUNCIL**

**OVERVIEW AND SCRUTINY COMMITTEE**

23rd November 2015

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**MEDIUM TERM FINANCIAL PLAN 2016/17 – 2018/19**

Relevant Portfolio Holder	Geoff Denaro
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering ( Exec Director)
Wards Affected	<b>All</b>
Ward Councillor Consulted	None specific

**1. SUMMARY OF PROPOSALS**

To enable Members to review additional financial information as part of the budget scrutiny for 2016/17-2018/19. This report aims to clarify the financial position following discussion at the meeting in October 2015.

**2. RECOMMENDATIONS**

**The Committee is asked to review the information contained within Appendix 1 and to request any further information to support the Scrutiny process.**

**3. KEY ISSUES**

**Financial Implications**

- 3.1 As members are aware the Council's Medium Term Financial Plan (MTFP) provides the framework within which the revenue and capital spending decisions can be made over a 3 year period. It is revised and updated on an annual basis to take into account any alterations that may be required as a result of changes that impact on the Council's services.
- 3.2 As part of the process for 2016/17-2018/19 Overview and Scrutiny Board received a report in October 2015 that detailed the budgets for each service aligned to the strategic purposes of the Authority. A number of issues were raised at the meeting to include Members receiving additional information in relation to variances and assumptions and this report aims to further detail the financial position. In addition the current capital programme is attached at Appendix 3 for Members' consideration.
- 3.3 As previously reported the current Medium Term Financial Plan includes projections for 2016/17 and 2017/18 as shown in the table below. The table shows the current estimated position to include capital charges which were not shown in the previous report as they do not impact on the Council Tax payer

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	<b>2016-17</b>	<b>2017-18</b>
	<b>£000</b>	<b>£000</b>
Departmental Expenditure (Starting Position)	11,323	11,369
Exclude impact of one off savings / pressures	80	40
Additional (pay award / incremental progression)	188	140
Unavoidable Pressures (new in year)		45
Savings (new in year )	-222	-25
Capital Charges	3,000	3000
<b>Net Service Expenditure</b>	<b>14,369</b>	<b>14,569</b>
Capital Charges Reversed	-3,000	-3000
Investment Income	-24	-24
Cost of Borrowing	750	1,342
Recharge to Capital Programme	-25	-25
<b>Net Operating Expenditure</b>	<b>12,070</b>	<b>12,862</b>
Funding of borrowing costs for Dolphin Centre from balances	-331	-506
Revenue Support Grant	-1,058	-947
Business Rates Retention (Baseline Funding)	-1,598	-1,598
Business Rates Growth	-176	-176
Funding from Business Rate Pool		
New Homes Bonus	-1,554	-1,685
New Homes Bonus Community Scheme		
Collection Fund Surplus (Council Tax)	-	-
Council Tax	-7,157	-7,231
Council Tax Freeze Grant (1% 2015/16 only)		
<b>Funding Total</b>	<b>-11,874</b>	<b>-12,144</b>
<b>Shortfall</b>	<b>196</b>	<b>718</b>

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- 3.4 The summary position above includes a number of assumptions as presented in the previous report. It is worth noting that Cabinet in early November recommended to Council a zero increase in fees and charges. Should this be agreed an additional £150k pressure will have to be met in 2016/17 ongoing for future years.
- 3.5 Pension contributions have been included as agreed with the actuary to reduce the pension fund deficit over a 21 year period. The total pension's deficit as at 31<sup>st</sup> March 2013 was £21.760m. Appendix 2 shows a schedule of payments up to 31<sup>st</sup> March 2020.
- 3.5 As part of the process Heads of Service have been asked to provide detailed information regarding any proposed savings or additional expenditure budget requirements for future years. These will be available for Member scrutiny further into the budget process.

**Scenario Planning**

- 3.6 The budget is made up of a number of key assumptions around costs and funding. Part of preparing the budget includes checking how robust these assumptions are and whether prudent. It is also looking at the effect a change will make to the budget and any shortfall caused by increased costs or reduced funding.
- 3.7 The table below explores what effect a change to these assumptions would have on the budget and how much the funding gap would increase. These are all based on the current 2016/17 budget.

<b>Description</b>	<b>% change</b>	<b>Current £'000</b>	<b>Change to budget £'000</b>	<b>Comment</b>
New Homes Bonus	30	1,554	466	If the authority had a reduction in NHB of 30%. This is constantly under review and 'top slicing' presents a risk to the authority. For every 1% reduction there is an impact of £15k.
Revenue Support Grant	20	1,058	105	It is likely that by 2020 the authority will no longer receive this grant, any further reduction in the comprehensive

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				speeding review will have to be considered. A estimated reduction of 10% is included in the budget projections.
Net Cost of services increase	1	14,369	144	Even a small % increase in our cost of services which include a number of assumption will mean the authority would need to use balances to fund the gap
Business Rates change	5	1,774	2016/17 would fund the deficit from 2015/16	Should the Council collect/bill lower Business Rates than budgeted for the impact would be in future years. This growth is particularly difficult to predict due to the economy and also the additional issue with appeals
Increase in Utility Bills	10	190	38	This is based on the unstable pricing of Gas and Electricity in recent years.

3.8 The above table is to enable Members to be aware of how a small variance can change the budget/actual position to the Council. The Council currently has a recommended minimum level of balances of £1.1m. With current balances at £4.2m there is an excess to the required minimum level. The balances are kept to ensure that the Council can still operate even if there is an unexpected cost arising after the budget has been set. It is worth noting that over £1m of balances has been approved to fund the initial borrowing costs of the new leisure centre.

3.9 **Strategic Purposes.**

The Council has 6 Strategic Purposes;

- Provide Good Things for me to See, Do and Visit
- Keep my Place Safe and Looking Good
- Help me be Financially Independent
- Help me find Somewhere to Live in my Locality
- Help me live my life Independently
- Help me Run a Successful Business

- 3.10 In addition costs associated with enabling services (supporting the organisation) form part of the total costs of the Council.
- 3.11 Appendix 1 includes the 2015/16, 2016/17 budgets, and details the 2014/15 budget compared to the outturn for every service undertaken by the Council aligned with the Strategic Purposes. This will allow Members to scrutinise where there have been variances in either budget or actual and request further information. In addition the enabling costs are shown. It is worth noting that the service areas reflect statutory descriptions for service provision from the accounting system and may not always seem reflective of some of the services provided by the Council. In addition the allocation to the Strategic Purposes is based on the data we have available to best fit the service against the purpose.
- 3.12 The budgets are shown as gross expenditure less income. Any shared service budgets include both the cost and the income chargeable to Redditch Borough Council.

**Service / Operational Implications**

- 3.13 The MTFP will enable services to be maintained and, where achievable, improvements to the community.

**Customer / Equalities and Diversity Implications**

- 3.14 Effective Budget Scrutiny will ensure all of the community are represented through the budget process.

**4. RISK MANAGEMENT**

To mitigate the risks associated with the financial pressures facing the authority regular monitoring reports are presented to both officers and Members to enable proactive action being undertaken to address any areas of concern.

**5. APPENDICES**

Appendix 1 – Budget Information to Strategic Purposes

Appendix 2 – Pension Deficit

Appendix 3 - Capital Programme 2016/17-2017/18

**AUTHOR OF REPORT**

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